

**Award**  
**NASD Dispute Resolution, Inc.**

---

In the Matter of the Arbitration Between:

Karen and Dean Bedgar, (Claimants) vs. Raymond M. Brown, Joan Brown, and Princeton Equity Securities, Inc., (Respondents)

Case Number: 00-05641

Hearing Site: Albany, New York

---

**REPRESENTATION OF PARTIES**

Claimants, Karen Bedgar ("K. Bedgar") and Dean Bedgar ("D. Bedgar"), hereinafter collectively referred to as "Claimants": Stuart E. Finer, Esq., a sole practitioner, Utica, NY.

Respondents, Raymond M. Brown ("R. Brown") and Joan Brown ("J. Brown"): Greta K. Kolcon, Esq., Woods Oviatt Gilman LLP, Rochester, NY. R. Brown and J. Brown originally appeared *pro se*.

Respondent, Princeton Equity Securities, Inc. ("Princeton"), did not make an appearance in this matter.

**CASE INFORMATION**

Statement of Claim filed on or about: December 20, 2000.

K. Bedgar signed the Uniform Submission Agreement: December 19, 2000.

D. Bedgar signed the Uniform Submission Agreement: December 19, 2000.

Statement of Answer filed by R. Brown and J. Brown on or about: February 12, 2001.

Verified Statement of Answer filed by R. Brown and J. Brown on or about: August 9, 2001.

R. Brown did not sign a Uniform Submission Agreement.

J. Brown did not sign a Uniform Submission Agreement.

Princeton did not file a Statement of Answer or sign a Uniform Submission Agreement.

**CASE SUMMARY**

Claimants asserted the following causes of action: fraudulent inducement; unsuitability; violations of NASD rules, Securities and Exchange Commission policies, and Federal and State laws; unauthorized transactions; violation of the antifraud provisions of the Securities Act of 1933; and failure to supervise. Claimants' claim involved Grand Court (originally known as J&B Management Company) debentures ("Grand Court") and the DFS Secured Healthcare Receivable Trust ("DFS").

Unless specifically admitted in their Answers, R. Brown and J. Brown denied the allegations made in the Statement of Claim and asserted the following defenses: some or all of Claimants' claims are barred by the statute of limitations; Claimants have failed to mitigate their damages; the damages allegedly sustained by Claimants are speculative and contingent in nature; the risks and uncertainties which accompanied the investments made by Claimants were knowingly and voluntarily assumed by them; at all times, Respondents proceeded in good faith in an effort to adhere to the stated investment objectives of Claimants; this tribunal has no jurisdiction over R. Brown; and this tribunal lacks jurisdiction over some or all of Claimants' claims.

### **RELIEF REQUESTED**

Claimants requested:

- a. Compensatory damages in the amount of \$72,431.00, representing K. Bedgar's lost principal;
- b. Compensatory damages in the amount of \$62,478.00, representing D. Bedgar's lost principal;
- c. Lost opportunity damages in the amount of \$75,000.00;
- d. Interest, reasonable attorneys' fees, and costs; and
- e. Punitive damages in the amount of \$100,000.00.

R. Brown and J. Brown requested that:

- a. The Statement of Claim be dismissed, as against R. Brown under jurisdictional grounds and against J. Brown with prejudice;
- b. Claimants be directed to bear the full cost of this proceeding; and
- c. They be awarded their reasonable attorneys' fees and costs.

### **OTHER ISSUES CONSIDERED AND DECIDED**

Prior to the conclusion of the hearings in this matter, the Panel granted R. Brown's Motion to Dismiss on the grounds of lack of jurisdiction.

Upon review of the file and the representations made on behalf of the Claimants, the undersigned arbitrators (the "Panel") determined that Princeton has been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without Princeton present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

R. Brown, J. Brown, and Princeton did not file with NASD Dispute Resolution, Inc. properly executed submissions to arbitration but are required to submit to arbitration pursuant to the Code and are bound by the determination of the Panel on all issues submitted.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

### AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. J. Brown and Princeton be and hereby are jointly and severally liable for and shall pay to Claimants the sum of \$155,000.00 as compensatory damages, plus interest at the rate of 8% accruing from December 19, 2000 until paid.
2. J. Brown be and hereby is solely liable for and shall pay to Claimants the sum of \$55,000.00 as punitive damages, plus interest at the rate of 8% accruing from December 19, 2001 until paid. The Panel awarded punitive damages pursuant to *Borkowski v. Borkowski*, 39 N.Y.2d 982, 387 N.Y.S.2d 233, 355 N.E.2d 287 (1976)(mem), as argued in Claimants' Post-Hearing Memorandum of Law.
3. Princeton be and hereby is solely liable for and shall pay to Claimants the sum of \$100,000.00 as punitive damages, plus interest at the rate of 8% accruing from December 19, 2001 until paid. The Panel awarded punitive damages pursuant to *Borkowski v. Borkowski*, 39 N.Y.2d 982, 387 N.Y.S.2d 233, 355 N.E.2d 287 (1976)(mem), as argued in Claimants' Post-Hearing Memorandum of Law.
4. J. Brown and Princeton be and hereby are jointly and severally liable for and shall pay to Claimants the sum of \$15,706.25 as attorneys' fees, plus interest at the rate of 8% accruing from December 19, 2001 until paid.
5. J. Brown and Princeton be and hereby are jointly and severally liable for and shall pay to Claimants the sum of \$1,500.00 for expert witness fees, plus interest at the rate of 8% accruing from December 19, 2001 until paid.
6. J. Brown and Princeton be and hereby are jointly and severally liable for and shall pay to Claimants the sum of \$300.00, to reimburse Claimant for the filing fee previously paid to NASD Dispute Resolution, Inc.

7. Upon receipt of the above-listed damages, Claimants be and hereby are ordered to transfer title of the Grand Court debentures and the DFS Secured Healthcare Receivable Trust to J. Brown.
8. All other requests for relief are hereby denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$ 300.00

#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. In this matter, Princeton Equity Securities, Inc. is a party.

Member surcharge = \$ 1,500.00  
Pre-hearing process fee = \$ 600.00  
Hearing process fee = \$ 2,500.00

#### **Forum Fees and Assessments**

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with Panel x \$1,125.00 = \$ 2,250.00

Pre-hearing conferences: July 10, 2001 1 session  
November 7, 2001 1 session

Eight (8) Hearing sessions x \$1,125.00 = \$ 9,000.00

Hearing Dates: December 11, 2001 2 sessions  
December 12, 2001 2 sessions  
December 18, 2001 2 sessions  
December 19, 2001 2 sessions

---

Total Forum Fees = \$11,250.00

The Panel has assessed all of the forum fees jointly and severally against J. Brown and Princeton.

**Fee Summary**

1. Claimants be and hereby are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 300.00
<u>Total Fees</u>	= \$ 300.00
<u>Less payments</u>	= \$ 1,425.00
<u>Refund Due Claimants</u>	= \$ 1,125.00

*As stated in the "Award" section above, J. Brown and Princeton are jointly and severally liable and shall reimburse Claimants for the \$300.00 filing fee.*

2. Princeton be and hereby is solely liable for:

<u>Member Fees</u>	= \$ 4,600.00
<u>Total Fees</u>	= \$ 4,600.00
<u>Less payments</u>	= \$ 1,500.00
<u>Balance Due NASD Dispute Resolution, Inc.</u>	= \$ 3,100.00

3. J. Brown and Princeton be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	= \$11,250.00
<u>Total Fees</u>	= \$11,250.00
<u>Less payments</u>	= \$ 0.00
<u>Balance Due NASD Dispute Resolution, Inc.</u>	= \$11,250.00

All balances are due and payable to NASD Dispute Resolution, Inc.

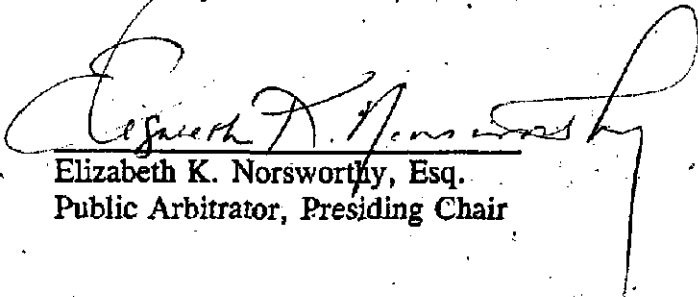
**ARBITRATION PANEL**

Elizabeth K. Norsworthy, Esq. -  
Jeffrey G. Sommers -  
James H. Bushey -

Public Arbitrator, Presiding Chair  
Public Arbitrator  
Industry Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Elizabeth K. Norsworthy, Esq.  
Public Arbitrator, Presiding Chair

Feb. 15, 2002  
Signature Date

Jeffrey G. Sommers  
Public Arbitrator

Signature Date

James H. Bushey  
Industry Arbitrator

Signature Date

February 26, 2002

Date of Service (For NASD office use only)


**ARBITRATION PANEL**

Elizabeth K. Norsworthy, Esq.	-	Public Arbitrator, Presiding Chair
Jeffrey G. Sommers	-	Public Arbitrator
James H. Bushey	-	Industry Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

\_\_\_\_\_  
Elizabeth K. Norsworthy, Esq.  
Public Arbitrator, Presiding Chair

  
\_\_\_\_\_  
Jeffrey G. Sommers  
Public Arbitrator

\_\_\_\_\_  
Signature Date

19<sup>th</sup> February 2002  
\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
James H. Bushey  
Industry Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
February 26, 2002

\_\_\_\_\_  
Date of Service (For NASD office use only)

NASD Dispute Resolution, Inc.  
Arbitration No. 00-05641  
Award Page 8

**ARBITRATION PANEL**

Elizabeth K. Norsworthy, Esq.	-	Public Arbitrator, Presiding Chair
Jeffrey G. Sommers	-	Public Arbitrator
James H. Bushey	-	Industry Arbitrator

**Concurring Arbitrators' Signatures**

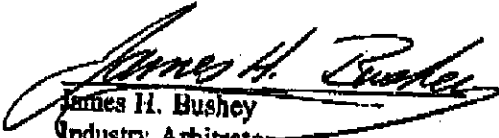
I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

\_\_\_\_\_  
Elizabeth K. Norsworthy, Esq.  
Public Arbitrator, Presiding Chair

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Jeffrey G. Sommers  
Public Arbitrator

\_\_\_\_\_  
Signature Date

  
James H. Bushey  
Industry Arbitrator

2/15/02  
Signature Date

February 26, 2002  
Date of Service (For NASD office use only)